

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6985

BILL NUMBER: SB 211

NOTE PREPARED: Mar 27, 2007

BILL AMENDED: Mar 20, 2007

SUBJECT: Bonds for Public Works Projects.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR: Rep. Crawford

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill does the following.

Instruction: This bill requires the Department of Administration to offer instruction at least annually to small businesses, minority business enterprises, and women's business enterprises with regard to bonding requirements and securing bonding for public works projects.

Bonds for Public Works Projects: The bill increases the threshold to \$200,000 for which bid, performance, and payment bonds are required for public works for state and local projects. The bill specifies a minimum percentage of retainage that must be withheld by a state agency under a public works contract.

Effective Date: June 30, 2007; July 1, 2007.

Explanation of State Expenditures: *Instruction:* The Department of Administration could incur some additional expenses associated with providing instruction at least annually to small businesses, minority business enterprises, and women's business enterprises with regard to bonding requirements and securing bonding for public works projects. The increase in costs would probably be minor.

On June 30, 2006, the Department of Administration reverted \$280,813 to the state general fund. As of February 10, 2007, the department had 135 vacant positions valued at about \$2.9 M; about 28 of the positions had been vacant for more than 2 years.

(Revised) *Bonds for Public Works Projects:* The bill increases the threshold from \$150,000 to \$200,000 over which bid, performance, and payment bonds are required for state and local public works contracts. The bill

may reduce the state administrative cost on small projects and possibly increase the number of contractors that might bid on smaller projects. The bill also sets a minimum required retainage on public works projects of at least 6% until 50% of the work is done and at least 3% until the public work is substantially complete. The bill could also increase the state's exposure to loss if the project is not completed properly.

Background: In FY 2006 the Division of Public Works of the Department of Administration reviewed 10 public works projects between \$150,000 and \$200,000.

Explanation of State Revenues:

Explanation of Local Expenditures: *See Explanation of State Expenditures.* The current threshold for some local projects is \$100,000 for the requirement of bid, performance, and payment bonds.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Tom Coulter, Department of Administration, 232-3021.

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